

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	

ROMULUS HOUSING COMMISSION

Financial Statements

December 31, 2003

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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Certified Public Accountant

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Board of Commissioners  
Romulus Housing Commission  
34200 Beverly  
Romulus, Michigan 48174

### **Independent Auditor's Report**

I have audited the financial statements listed in the Table of Contents of the Romulus Housing Commission as of and for the year ended December 31, 2003. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Romulus Housing Commission as of December 31, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principals.

In accordance with Government Auditing Standards, I have also issued my report dated August 11, 2004 on my consideration of the Romulus Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, if fairly stated in all material respects in relation to the financial statements taken as whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Certified Public Accountant

August 11, 2004

ROMULUS HOUSING COMMISSION  
Combined Balance Sheet

December 31, 2003

**ASSETS**

**C-3055**

**CURRENT ASSETS**

Cash	\$	274,040
Accounts Receivable (net)		67,433
Prepaid Expenses		8,422
Inter Program due from		<u>66,864</u>

Total Current Assets	\$	416,759
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**NON CURRENT ASSETS**

Land	\$	188,150
Buildings		1,512,998
Furniture, Equipment- Administrative		64,193
Leasehold Improvements		1,493,091
Accumulated Depreciation		<u>(1,450,574)</u>

Total Non Current Assets		<u>1,807,858</u>
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<b><u>TOTAL ASSETS</u></b>	\$	<u>2,224,617</u>
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ROMULUS HOUSING COMMISSION  
Combined Balance Sheet  
December 31, 2003

LIABILITIES & EQUITY

C-3055

LIABILITIES:

CURRENT LIABILITIES

Accounts Payable	\$	37,267	
Accrued Liabilities		8,726	
Accrued Compensated Absences		9,329	
Tenants Security Deposit		13,135	
Accounts Payable- Other Governments		11,797	
Deferred Revenue		7,492	
Inter-Program due to		<u>66,864</u>	
<u>Total Current Liabilities</u>	\$		154,610

NONCURRENT LIABILITIES

Non Current Accrued Compensated Absences		<u>27,985</u>	
<u>Total Liabilities</u>	\$		182,595

EQUITY:

Contributed Capital	\$	1,657,535	
Retained Earnings		<u>384,487</u>	
<u>Total Equity</u>	\$		<u>2,042,022</u>

<u>TOTAL LIABILITIES &amp; EQUITY</u>	\$		<u>2,224,617</u>
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The Accompanying Notes are an Integral part of the Financial Statements

ROMULUS HOUSING COMMISSION  
Combined Statement of Income and Expenses  
For the year ended December 31, 2003

REVENUE

Tenant Rental Revenue	\$ 173,225	
HUD Grants	424,036	
Interest Income	2,903	
Other Income	<u>4,035</u>	
 <u>Total Revenue</u>		 \$ 604,199

EXPENSES

Administrative	\$ 174,938	
Tenant Services	33,661	
Utility Expenses	44,386	
Ordinary Maintenance	156,310	
Protective Services	25,000	
General Expenses	<u>59,204</u>	
 <u>Total Expenses</u>		 <u>493,499</u>
 <u>Excess (Deficiency) of Revenues over Expenses</u>		 \$ 110,700

OTHER SOURCES & (USES)

Extra Ordinary Maintenance	\$ (12,000)	
Casualty Losses	(4,080)	
Depreciation Expenses	<u>(130,629)</u>	
 <u>Total Other Sources (Uses)</u>		 <u>(146,709)</u>
 <u>NET PROFIT (LOSS)</u>		 \$ <u>(36,009)</u>

The Accompanying Notes are an Integral part of the Financial Statements

ROMULUS HOUSING COMMISSION  
Combined Statement of Cash Flows  
For the Year Ended December 31, 2003

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 180,535
Payments to Suppliers	(387,063)
Payments to Employees	(110,969)
HUD Grants	424,036
Other Receipts (Payments)	<u>6,938</u>
Net Cash Provided (Used) by Operating Activities	\$ 113,477

CASH FLOWS FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	\$ <u>(72,059)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 41,418
Balance- Beginning of Year	<u>205,622</u>
Balance- End of Year	\$ <u>247,040</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET  
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ (36,009)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	130,629
Changes in Assets (Increase) Decrease:	
Receivables	(59,013)
Investments	76,148
Prepaid Expenses	(3,072)
Interfund Due From	(66,864)
Changes in Liabilities Increase (Decrease):	
Accounts Payable	16,827
Accrued Liabilities	(22,281)
Accrued Compensated Absences	7,713
Security Deposits	(792)
Accounts Payable- Other Governments	1,302
Deferred Revenue	2,025
Interfund Due To	<u>66,864</u>
Net Cash Provided by Operating Activities	\$ <u>113,477</u>

The Accompanying Notes are an Integral part of the Financial Statements



ROMULUS HOUSING COMMISSION  
Combined Statement of Changes Equity  
For the Year Ended December 31, 2003

Contributed Capital

Balance at Beginning of Year	\$ 1,911,638
Reclassification, below	(125,391)
Depreciation (Add Back)	<u>(128,712)</u>
Contributed Capital- End of Year	\$ <u>1,657,535</u>

Retained Earnings

Balance at Beginning of Year	\$ 170,401
Net Income (Loss) for the Year	(36,009)
Reclassification, above	125,391
Depreciation Add Back	128,712
Prior Period Adjustment:	
Accrued Expenses Reversed	<u>(4,008)</u>
Undesignated Fund Balance- End of Year	\$ <u>384,487</u>

The Accompanying Notes are an Integral part of the Financial Statements

ROMULUS HOUSING COMMISSION  
Notes to Financial Statements  
December 31, 2003

NOTE 1: Summary of Significant Accounting Policies

**Reporting Entity-**

Romulus Housing Commission, Romulus, Michigan, (Commission) was created by ordinance of the city of Romulus. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 72-1	Low rent program	101 units
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In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above, no component units exist.

These criteria were considered in determining the reporting entity.

**Basis of Presentation-**

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

## Notes to Financial Statements- continued

### Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

### Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1999, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989.

### Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

### Assets, Liabilities, and Net Assets-

#### Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

#### Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

## Notes to Financial Statements- continued

### Due To and Due From Other Funds

Interfund receivables and payables arise from inter-program transactions and are recorded by all funds affected in the period in which transactions are executed.

### Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and undesignated fund balance components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	15 years
Equipment	3-10 years

### Compensated Absences

Compensated absences are for unused vacation days, personal leave days, and accumulated compensation time, based on total accumulation of time at current rates of compensation. Financial Accounting Standards Board (FASB) # 43 establishes proper generally accepted accounting principles (GAAP) concerning such accruals. The following criteria must be met:

- 1) Employee's right to compensation is attributable to past performance.
- 2) The right to compensation is vested or accumulates.
- 3) It is probable that the compensation will be paid.
- 4) The amount is reasonably estimable.

The Commission accrued a percentage of the above based on an analysis of past retirements and current potential using the above criteria.

The estimated portion of the liability for vested leave benefits attributable to the Commission is recorded as an expenditure and liability in each of the respective programs.

Notes to Financial Statements- continued

Note 2: Cash.

The composition of cash is as follows:

Cash:

Checking Accounts \$ 274,040

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	<u>Categories</u>			Carrying Amount	Market Value
	<u>1</u>	<u>2</u>	<u>3</u>		
Cash:					
Checking A/C's	\$ 240,040	\$	\$	\$ 240,040	\$ 240,040

Note 3: Accounts Receivable

Accounts receivable consists of the following:

Accounts Receivable- Tenants	\$ 2,934
Allowance for Doubtful Accounts	<u>(2,365)</u>
Net Accounts Receivable-tenants	\$ 569
Account Receivable- HUD	<u>66,864</u>
Financial Statement Total	<u>\$ 67,433</u>

Note 4: Prepaid Expenses

Prepaid expenses consists of the following:

Prepaid Insurance	\$ 2,075
Prepaid Expenses- Other	<u>6,347</u>
Financial Statement Total	<u>\$ 8,422</u>

Notes to Financial Statements, continued

Note 5: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Land	\$ 188,150	\$	\$	\$ 188,150
Buildings	1,512,998			1,512,998
Furniture & Equipment-Dwellings	64,193			64,193
Leasehold Improvements	<u>1,421,032</u>	<u>72,059</u>	<u></u>	<u>1,493,091</u>
	\$ 3,186,373	\$ 72,059	\$	\$ 3,258,432
Less Accumulated Depreciation	<u>1,319,945</u>	<u>130,629</u>	<u></u>	<u>1,450,574</u>
	<u>\$ 1,866,428</u>	<u>\$ (58,570)</u>	<u>\$</u>	<u>\$ 1,807,858</u>

Note 6: Accrued Liabilities

Accrued Liabilities consist of the following:

Accrued Utilities Payable	\$ 8,422
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Note 7: HUD Guaranteed Debt and Contributed Capital.

HUD guaranteed debt has been reclassified to Contributed Capital for all years ending after September 30, 1999. The reclassification is a result of all HUD programs converting from a basis of accounting prescribed by HUD other than Generally Accepted Accounting Principles (GAAP), to GAAP. Original Contributed capital consists of reserved and unreserved surplus, and cumulative HUD contributions.

Note 8: Pension Plan.

The Commission participates in the city of Romulus retirement plan; the plan is a pre 1986 401K plan for municipalities. The plan has standard eligibility and vesting provisions. All contributions have been paid to the plan administer in a timely manner. Further details and plan assets are reported under a separate audit report maintained by the City of Romulus.

Note 9: Combining Financial Data Schedules.

The totals in the combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Notes to Financial Statements- continued

Note 10: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 11: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 8,347,185
General Liability	3,000,000
Automobile Liability	1,000,000
Dishonesty Bond	1,000,000
Worker's Compensation and other riders: minimum coverage's required by the State of Michigan	

Note 12: Segment Information for Enterprise Funds.

The Commission maintains an enterprise fund; segment information for the year ended December 31, 2003, is as follows:

Operating Revenue	\$ 604,199
operating Income	110,700
Non Operating Revenue (Expenses)	
Casualty Losses	(4,080)
Extra Ordinary Maintenance	(12,000)
Depreciation Expense	(130,629)
Net Profit (Loss)	(36,009)
Non Current Assets (net)	1,807,858
Total Assets	2,224,617
Retained Earnings	384,487

Romulus Housing Commission 31-Dec-  
03

MI-72

	Combining Balance Sheet	Low Rent 14.850	Drug Eliminatio n Funds 14.854	Capital Fund Projects 14.872	TOTAL
Line Item #					
	<b>ASSETS:</b>				
	CURRENT ASSETS:				
	Cash:				
111	Cash - unrestricted	274,040			274,040
112	Cash - restricted - modernization and development		-	-	-
113	Cash - other restricted				-
114	Cash - tenant security deposits				-
100	Total cash	274,040	-	-	274,040
	Accounts and notes receivables:				
121	Accounts receivable - PHA projects				-
122	Accounts receivable - HUD other projects	-	-	66,864	66,864
124	Accounts receivable - other government				-
125	Accounts receivable - miscellaneous				-
126	Accounts receivable- tenants - dwelling rents	2,934			2,934
126.1	Allowance for doubtful accounts - dwelling rents	(2,365)			(2,365)
126.2	Allowance for doubtful accounts - other	-			-
127	Notes and mortgages receivable- current				-
128	Fraud recovery				-
128.1	Allowance for doubtful accounts - fraud				-
129	Accrued interest receivable	-			-
120	Total receivables, net of allowances for doubtful accounts	569	-	66,864	67,433
	Current investments	-			-
131	Investments - unrestricted	-			-
132	Investments - restricted	-			-
142	Prepaid expenses and other assets	8,422			8,422
143	Inventories	-			-
143.1	Allowance for obsolete inventories				-
144	Interprogram - due from	66,864			66,864
146	Amounts to be provided				-
150	TOTAL CURRENT ASSETS	349,895	-	66,864	416,759



	NONCURRENT ASSETS:				
	Fixed assets:			-	
161	Land	188,150			188,150
162	Buildings	1,512,998			1,512,998
163	Furniture, equipment & machinery - dwellings				-
164	Furniture, equipment & machinery - administration	64,193	-		64,193
165	Leasehold improvements	1,415,481	-	77,610	1,493,091
166	Accumulated depreciation	(1,450,574)	-	-	(1,450,574)
160	Total fixed assets, net of accumulated depreciation	1,730,248	-	77,610	1,807,858
171	Notes and mortgages receivable - non-current				-
172	Notes and mortgages receivable-non-current-past due				-
174	Other assets				-
175	Undistributed debits	-			-
176	Investment in joint ventures				-
180	TOTAL NONCURRENT ASSETS	1,730,248	-	77,610	1,807,858
190	TOTAL ASSETS	2,080,143	-	144,474	2,224,617
	LIABILITIES AND EQUITY:				
	LIABILITIES:				
	CURRENT LIABILITIES				
311	Bank overdraft				-
312	Accounts payable ≤ 90 days	37,267			37,267
313	Accounts payable > 90 days past due				-
321	Accrued wage/payroll taxes payable	-			-
322	Accrued compensated absences	9,329			9,329
324	Accrued contingency liability				-
325	Accrued interest payable				-
331	Accounts payable - HUD PHA programs				-
332	Accounts Payable - PHA Projects				
333	Accounts payable - other government	11,797			11,797
341	Tenant security deposits	13,135			13,135
342	Deferred revenues	7,492			7,492
343	Current portion of Long-Term debt - capital projects				-
344	Current portion of Long-Term debt - operating borrowings				-
345	Other current liabilities	-			-
346	Accrued liabilities - other	8,726			8,726

347	Inter-program - due to		-	66,864	66,864
310	TOTAL CURRENT LIABILITIES	87,746	-	66,864	154,610
	NONCURRENT LIABILITIES:				
351	Long-term debt, net of current- capital projects				-
352	Long-term debt, net of current- operating borrowings				-
353	Noncurrent liabilities- other	27,985			27,985
350	TOTAL NONCURRENT LIABILITIES	27,985	-	-	27,985
300	TOTAL LIABILITIES	115,731	-	66,864	182,595
	EQUITY:				
501	Investment in general fixed assets				-
	Contributed Capital:				
502	Project notes (HUD)	-			-
503	Long-term debt - HUD guaranteed			-	-
504	Net HUD PHA contributions	1,657,535	-	-	1,657,535
505	Other HUD contributions				-
507	Other contributions				-
508	Total contributed capital	1,657,535	-	-	1,657,535
	Reserved fund balance:				-
509	Reserved for operating activities				-
510	Reserved for capital activities	-			-
511	Total reserved fund balance	-	-		-
512	Undesignated fund balance/retained earnings	306,877	-	77,610	384,487
513	TOTAL EQUITY	1,964,412	-	77,610	2,042,022
600	TOTAL LIABILITIES AND EQUITY	2,080,143	-	144,474	2,224,617

## Romulus Housing Commission

31-Dec-  
03

MI-72

Combining Income Statement		Low Rent 14.850	Drug Eliminatio n Grant 14.154	Capital Fund Project 14.872	TOTAL
Line	Item #				
	<b>REVENUE:</b>				
703	Net tenant rental revenue	173,225	-		173,225
704	Tenant revenue - other				-
705	Total tenant revenue	173,225	-	-	173,225
706	HUD PHA grants	249,481	25,000	149,555	424,036
708	Other government grants				-
711	Investment income - unrestricted	2,903			2,903
712	Mortgage interest income	-			-
714	Fraud recovery				-
715	Other revenue	4,035			4,035
716	Gain or loss on the sale of fixed assets				-
720	Investment income - restricted				-
700	<b>TOTAL REVENUE</b>	429,644	25,000	149,555	604,199
	<b>EXPENSES:</b>				
	Administrative				
911	Administrative salaries	85,831			85,831
912	Auditing fees	3,730			3,730
913	Outside management fees				-
914	Compensated absences	7,714			7,714
915	Employee benefit contributions- administrative	28,440			28,440
916	Other operating- administrative	27,727	-	21,496	49,223
	Tenant services				
921	Tenant services - salaries	23,335			23,335
922	Relocation costs				-
923	Employee benefit contributions- tenant services	7,560			7,560
924	Tenant services - other				

		2,766	-		2,766
	Utilities				
931	Water	30,686			30,686
932	Electricity	9,137			9,137
933	Gas	4,563			4,563
934	Fuel				-
935	Labor				-
937	Employee benefit contributions- utilities				-
938	Other utilities expense	-			-
	Ordinary maintenance & operation				
941	Ordinary maintenance and operations - labor	1,803			1,803
942	Ordinary maintenance and operations - materials & other	8,251			8,251
943	Ordinary maintenance and operations - contract costs	146,256			146,256
945	Employee benefit contributions- ordinary maintenance				-
	Protective services				
951	Protective services - labor				-
952	Protective services- other contract costs		25,000	-	25,000
953	Protective services - other				-
955	Employee benefit contributions- protective services				-
	General expenses				
961	Insurance premiums	49,397			49,397
962	Other General Expenses				-
963	Payments in lieu of taxes	11,797			11,797
964	Bad debt - tenant rents	(1,990)			(1,990)
965	Bad debt- mortgages				-
966	Bad debt - other				-
967	Interest expense				-
968	Severance expense				-

969	<b>TOTAL OPERATING EXPENSES</b>	447,003	25,000	21,496	493,499
970	<b>EXCESS OPERATING REVENUE OVER OPERATING EXPENSES</b>	(17,359)	-	128,059	110,700
971	Extraordinary maintenance	12,000			12,000
972	Casualty losses - non-capitalized	4,080			4,080
973	Housing assistance payments				-
974	Depreciation expense	130,629	-	-	130,629
975	Fraud losses				-
976	Capital outlays- governmental funds	-			-
977	Debt principal payment- governmental funds				-
978	Dwelling units rent expense				-
900	<b>TOTAL EXPENSES</b>	593,712	25,000	21,496	640,208
	<b>OTHER FINANCING SOURCES (USES)</b>				
1001	Operating transfers in (out)	50,449		(50,449)	-
1002	Operating transfers out			-	-
1003	Operating transfers from/to primary government				-
1004	Operating transfers from/to component unit				-
1005	Proceeds from notes, loans and bonds				-
1006	Proceeds from property sales				-
1010	<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	50,449	-	(50,449)	-
1000	<b>EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES</b>	(113,619)	-	77,610	(36,009)

ROMULUS HOUSING COMMISSION  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2003

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Programs:

	<u>Annual Program Expenditures</u>
* <u>CFDA 14.850 Public and Indian Housing</u>	
C-3055 Operating Subsidies	\$ <u>249,481</u>
<u>CFDA 14.872 Capital Projects Grants</u>	
C-3055 Capital Projects Funds	\$ <u>149,555</u>
<u>CFDA 14.854 Drug Elimination Grant</u>	
C-3055 Drug Elimination Program	\$ <u>25,000</u>
	\$ <u>424,036</u>

\*Connotes Major Program Category

Significant Account Policies

The accounting policies of the Commission conform to generally accepted accounting principles as applicable to governmental proprietary funds. The financial statements contained in the Commission's annual audit report are prepared on the accrual basis of accounting; revenues are recognized when earned, expenses are recorded when the related services or product are received.

Risk management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 8,347,185
General Liability	3,000,000
Automobile Liability	1,000,000
Dishonesty Bond	1,000,000
Worker's Compensation and other riders:	
minimum coverage's required by the State of Michigan	

The prior audit of the Romulus Housing Commission for the period ended December 31, 2002, contained three audit findings; the corrective actions by the Commission are as follows:

- 1) Budget overruns- Budgets are not required to be submitted to HUD unless the Commission is identified as troubled; therefore, no budget revision is required. The Commission was not deemed troubled in the current year or prior year.
- 2) Excessive Accounts Receivable- Average outstanding balance has decreased over the prior year, current levels within acceptable ranges.
- 3) Tenant Accounting Discrepancies- Several discrepancies exist, see finding.

## Compliance

I have audited the compliance of Romulus Housing Commission with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2003. Romulus Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Romulus Housing Commission's management. My responsibility is to express an opinion on Romulus Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Romulus Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Romulus Housing Commission's compliance with those requirements.

As described in the following findings in the accompanying schedule of findings and questioned costs, the Commission failed to comply with one or more of the following compliance requirements: Activities allowed or unallowed, Allowable Costs/cost Principles, Cash Management, Davis-Bacon Act, Eligibility, Procurement, Reporting, or other compliance matters. Compliance with such requirements is necessary, in my opinion, for the Commission to comply with the requirements applicable to that program. The following programs, findings and compliance matters are detailed in the schedule of findings and questioned cost:

### Low Rent Public Housing:

<u>Finding</u>	<u>Audit Number</u>	<u>Compliance Requirements</u>
Tenant Accounting Discrepancies	02-3	Activities Allowed or Unallowed, Program Income
Davis Bacon Act Activities	03-1	Davis Bacon Act

In my opinion, except for the noncompliance described in the preceding paragraph, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.



## Internal Control over Compliance

The management of Romulus Housing Commission entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Romulus Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operation that I considered to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgement, could adversely affect the Commission's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as referred to above.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that none of the reportable conditions described above is a material weakness.

This report is intended for the information of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

August 11, 2004

I have audited the financial statements of Romulus Housing Commission, Romulus, Michigan, as of and for the year ended December 31, 2003, and have issued my report thereon dated August 11, 2004. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether Romulus Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards; see the findings and questioned cost section of this audit report.

#### Internal Control Over Financial Reporting

In planning and performing my audit, I considered Romulus Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I did not note any instances which may be considered weaknesses that are required to be reported under Government Auditing Standards.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Certified Public Accountant

August 11, 2004

Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing	X	
Capital Projects Grants		X
Drug Elimination Grant		X

Opinions:

General Purpose Financial Statements-

Unqualified

Material weakness(es) noted \_\_\_\_\_ Yes        X   No

Reportable condition(s) noted \_\_\_\_\_ Yes        X   No

Non Compliance material to financial statements noted \_\_\_\_\_ Yes        X   No

Report on compliance for Federal programs-

Qualified

Material weakness(es) noted \_\_\_\_\_ Yes        X   No

Reportable condition(s) noted   X   Yes      \_\_\_\_\_ No

Non Compliance material to financial statements noted \_\_\_\_\_ Yes        X   No

Thresholds:

Dollar limit used to determine type A & B programs- \$ 300,000

The Auditee did qualify as a low risk auditee.

<u>Name of Federal Program</u>	<u>Program</u>	<u>Costs</u>	<u>Number</u>
Low Rent Public Housing	Yes	None	02-3
Capital Projects Funds	No	None	03-1
Drug Elimination Program	No	None	N/A

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ROMULUS HOUSING COMMISSION  
Findings, Recommendations and Replies  
December 31, 2003

The following findings of the Romulus Housing Commission, for the year ended December 31, 2003, were discussed with Ms. Christine Anderson, Executive Director in an exit interview conducted on August 11, 2004:

Finding 02-03

Tenant Accounting Discrepancies:

The following discrepancies were noted during the review of 10 tenant files:

2 files were not reexamined for two years (repeat finding)  
1 file lacked third party verification  
1 file used the wrong utility allowance

Recommendation

HUD requires the above verifications and documentation; non compliance with the above requirements could result in miscalculated rents.

I would recommend the Commission review the recertification process to insure compliance with HUD requirements.

Reply

We will comply with the above recommendations. We will review the recertification process and insure compliance with HUD requirements. This review process will start immediately and the appropriate corrections will be implemented.

Finding 03-1

Davis Bacon Act Violations.

The Commission did not have copies of all the certified payrolls and did not conduct any employee interviews.

#### Recommendation

I recommend the Commission receive and review the payrolls before releasing payments to the contractor's; in order to determine if Davis Bacon wages have been paid to the employees, contractor employees should be interviewed. The interviews should be compared to the payrolls to ensure prevailing wages are being paid.

#### Reply

We have already received and have reviewed the payroll to compare to the Davis Bacon wages. Interviews will be vigorously conducted. All such activities will be conducted in the order specified to ensure prevailing wages are being paid.